

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6853

BILL NUMBER: HB 1535

NOTE PREPARED: Jan 13, 2013

BILL AMENDED:

SUBJECT: Local Option Income Taxes.

FIRST AUTHOR: Rep. Karickhoff

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that an individual who has a principal place of employment or business in a county other than the individual's county of residence shall pay a County Adjusted Gross Income Tax (CAGIT), County Option Income Tax (COIT), or County Economic Development Tax (CEDIT) imposed by the county where the individual maintains the principal place of employment or business at a rate that is 1/4 of the sum of certain tax rates imposed on residents of the county under those taxes. It excludes certain tax rates for capital improvements from the calculation of the tax rate imposed on the nonresident individual.

The bill provides a credit against any tax imposed by the individual's county of residence in the amount of the tax paid to the county where the individual has the individual's principal place of employment or business.

Effective Date: January 1, 2014.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect provisions in the bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill could reallocate about \$91.6 M in CAGIT, COIT and CEDIT revenue, potentially affecting all counties imposing these taxes beginning in CY 2015. Reallocation of local

option income tax (LOIT) revenue will depend upon the taxable income of individuals whose principal place of employment or business is a county other than their county of residence beginning after December 31, 2013. The LOIT tax rate for commuters would be 1/4 of the resident LOIT rate minus any LOIT levied specifically for correctional facilities or other capital projects.

This estimate is based on taxable income reported on individual income tax returns for tax year 2010. The potential revenue that could be generated by this bill may vary depending on changes in employment and commuting patterns. Any changes in LOIT revenue resulting from this bill will be accounted for through certified distributions as determined by the State Budget Agency.

The table below provides estimates by county based upon the bill's provisions. The estimates account for any additional revenue that could be generated and offset by the credit allowed against the resident county taxpayer's liability for any LOIT imposed by the county of residence.

| County | Estimated Net Impact | County | Estimated Net Impact | County | Estimated Net Impact |
|-------------|----------------------|------------|----------------------|-------------|----------------------|
| Adams | (\$129,000) | Hendricks | (\$5,989,000) | Pike | (\$199,000) |
| Allen | \$575,000 | Henry | (\$669,000) | Porter | (\$301,000) |
| Bartholomew | \$855,000 | Howard | \$930,000 | Posey | (\$215,000) |
| Benton | (\$60,000) | Huntington | (\$239,000) | Pulaski | \$121,000 |
| Blackford | (\$172,000) | Jackson | \$123,000 | Putnam | (\$468,000) |
| Boone | (\$4,081,000) | Jasper | \$384,000 | Randolph | (\$202,000) |
| Brown | (\$386,000) | Jay | \$51,000 | Ripley | \$255,000 |
| Carroll | (\$456,000) | Jefferson | (\$161,000) | Rush | (\$265,000) |
| Cass | \$77,000 | Jennings | (\$253,000) | St. Joseph | \$329,000 |
| Clark | \$1,015,000 | Johnson | (\$5,661,000) | Scott | (\$127,000) |
| Clay | (\$322,000) | Knox | \$7,000 | Shelby | (\$532,000) |
| Clinton | (\$62,000) | Kosciusko | (\$53,000) | Spencer | (\$209,000) |
| Crawford | (\$102,000) | Lagrange | (\$196,000) | Starke | (\$290,000) |
| Daviess | (\$39,000) | Lake* | N/A | Steuben | (\$290,000) |
| Dearborn | (\$128,000) | LaPorte | (\$177,000) | Sullivan | (\$274,000) |
| Decatur | \$124,000 | Lawrence | (\$288,000) | Switzerland | (\$23,000) |
| DeKalb | \$264,000 | Madison | (\$629,000) | Tippecanoe | \$803,000 |
| Delaware | (\$229,000) | Marion | \$39,032,000 | Tipton | (\$225,000) |
| Dubois | \$325,000 | Marshall | (\$397,000) | Union | (\$53,000) |

| County | Estimated Net Impact | County | Estimated Net Impact | County | Estimated Net Impact |
|----------|----------------------|------------|----------------------|-------------|----------------------|
| Elkhart | \$1,244,000 | Martin | \$753,000 | Vanderburgh | \$2,234,000 |
| Fayette | (\$34,000) | Miami | (\$231,000) | Vermillion | (\$247,000) |
| Floyd | (\$253,000) | Monroe | (\$27,000) | Vigo | \$779,000 |
| Fountain | (\$215,000) | Montgomery | \$275,000 | Wabash | \$418,000 |
| Franklin | (\$326,000) | Morgan | (\$1,902,000) | Warren | (\$99,000) |
| Fulton | (\$95,000) | Newton | (\$102,000) | Warrick | (\$1,871,000) |
| Gibson | (\$4,000) | Noble | (\$155,000) | Washington | (\$315,000) |
| Grant | \$179,000 | Ohio | \$7,000 | Wayne | \$34,000 |
| Greene | (\$429,000) | Orange | (\$43,000) | Wells | (\$70,000) |
| Hamilton | (\$16,218,000) | Owen | (\$345,000) | White | (\$305,000) |
| Hancock | (\$2,4482,000) | Parke | (\$153,000) | Whitley | (\$335,000) |
| Harrison | (\$345,000) | Perry | (\$42,000) | | |

* Lake County does not impose a LOIT.

Background Information - Current statute provides that county taxpayers pay any applicable LOIT to their county of residence instead of the county where they maintain their principal place of employment or business if both counties impose LOIT. Since Lake County is the only county not imposing any LOIT, Lake County residents pay the applicable nonresident LOIT rate to counties where they maintain their principal place of employment or business. This bill only affects counties imposing LOIT, so it would not affect Lake County resident taxpayers.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: LSA Income Tax Database; Certified LOIT Distribution, August 1, 2012.

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